

Message Text

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TO AMEMBASSY NAIROBI

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FOR DEPUTY ASSISTANT SECRETARY WEINTRAUB

FOLLOWING REPEAT LONDON 10872 SENT ACTION SECSTATE ACCRA INFO
BERN BONN BRUSSELS COPENHAGEN OSLO OTTAWA PARIS ROME TEL AVIV
THE HAGUE TOKYO SEPT. 21:

QUOTE

C O N F I D E N T I A L

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AIDAC

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SUBJECT: DONOR TALKS ON GHANA SEPTEMBER 17-18 IN LONDON

BEGIN SUMMARY. DONOR GROUP AND NON-DONOR MEMBERS OF
CONSULTATIVE GROUP MET AS SCHEDULED AT 10:00 A.M.
SEPTEMBER 18 UNDER IBRD CHAIRMANSHIP (PETER WRIGHT).
WITH EXCEPTION BELGIUM, NETHERLANDS AND NORWAY, ALL INFO-
ADDRESSEE COUNTRIES ATTENDED. IMF AND AFDB REPRESENTED.
DR. ADAMS CHAIRED US DELEGATION. DEPUTY ASSISTANT
SECRETARY OF STATE ROBERT SMITH ATTENDED. PURPOSE OF
MEETING WAS TO DETERMINE ORDER OF MAGNITUDE OF EXTERNAL
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ASSISTANCE PLANNED BY DONORS OVER NEXT 18-24 MONTHS
ASSUMING DEBT SETTLEMENT REACHED IN NEXT 2-3 MONTHS.
IT CLEARLY UNDERSTOOD MEETING NOT A PLEDGING SESSION AND
THAT DONORS NOT COMMITTED TO LEVELS CURRENTLY PLANNED.

IT WAS ALSO RECOGNIZED THAT DEVELOPMENTS RE GHANIAN PARTICIPATION IN FOREIGN COMPANIES WILL HAVE BEARING ON DONOR ABILITY IMPLEMENT AID PLANS. STATEMENTS BY IBRD, CANADA, GERMANY, UK AND US INDICATED THAT NEW CAPITAL AID INTENTIONS THESE SOURCES ARE ON ORDER \$140 MILLION. THESE AND OTHER DONORS ALSO PLAN SIGNIFICANT TECHNICAL AID. IBRD WILL CONVEY \$140 MILLION FIGURE TO GHANA WITH CAVEATS REGARDING DEBT AND PARTICIPATION ISSUES. END SUMMARY.

1. DONOR GROUPS AND OBSERVERS MET AT NEW ZEALAND HOUSE, LONDON ON SEPTEMBER 17 (AM AND PM) AND BRIEFLY SEPTEMBER 18, PM. IBRD CHAIRMAN PETER WRIGHT REFERRED TO JULY MEETING IN ACCRA BETWEEN CREDITOR GROUP CHAIRMAN MARTIN LEQUESNE (UK), DEPUTY ASSISTANT SECRETARY STATE SMITH, IBRD VICE PRESIDENT CHAUFOURNIER AND GHANA'S COMMITTEE ON DEBT. AT THAT MEETING GHANA REPS STRESSED THEIR DIFFICULTY IN REACHING POSITION ON DEBT RESCHEDULING PROPOSALS WITHOUT RECEIVING INDICATION OF FUTURE ASSISTANCE LEVELS GHANA COULD EXPECT. THEY REQUESTED IBRD ARRANGE DONOR MEETING FOR PURPOSE OF DETERMINING LEVELS OF AID GHANA MIGHT EXPECT ONCE DEBT AGREEMENT REACHED. PRESENT MEETING ARRANGED IN RESPONSE TO THAT REQUEST.

2. WRIGHT STRESSED MEETING'S INFORMAL AND NON-COMMITTAL NATURE. NO PRESS STATEMENT WOULD BE MADE AND INDIVIDUAL DONOR PLANS WILL BE CONSIDERED CONFIDENTIAL TO EXTENT ANY DONOR SO DESIRED. WRIGHT STATED IBRD PLANS TO INFORM GHANA OF AGGREGATE FIGURE OF NEW CAPITAL AID ARISING FROM THIS MEETING. BREAKDOWN BY DONOR WILL NOT BE GIVEN, AND IBRD WILL STRESS THAT FIGURE IS MERELY INDICATIVE AND THAT TIMING OF IMPLEMENTATION OF INDIVIDUAL PROGRAMS WILL VARY, SINCE FIGURE REPRESENTS A MIX OF PROGRAM AND PROJECT LENDING.

3. UK AND FRANCE IMMEDIATELY TOOK ISSUE WITH IBRD'S LIMITED OFFICIAL USE
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INTENTION TO INFORM GOG OF EVEN GLOBAL FIGURE PRIOR TO CREDITOR GROUP MEETING WITH GOG NOW PLANNED IN NOVEMBER. IT WAS RECOGNIZED THAT IBRD IS UNDER OBLIGATION TO REPORT ALONG SOME LINE TO GOG ON OUTCOME OF DONOR MEETING AND IT WAS DECIDED THAT DONOR MEETING WOULD RECONVENE FOLLOWING DAY (SEPTEMBER 18) TO DETERMINE NATURE OF RESPONSE.

4. IBRD REP (MCGIBBON) WAS THEN ASKED TO OUTLINE LATEST IBRD ASSESSMENT OF GHANA'S ECONOMIC AND FINANCIAL SITUATION. MCGIBBON REVIEWED IBRD MEMORANDUM PREPARED FOR THIS MEETING AND HIGHLIGHTED MOST IMPORTANT POINTS.

HE APOLOGIZED FOR AN ERROR OF ADDITION IN TABLE 3 OF THE MEMO ON BALANCE OF PAYMENTS PROJECTIONS AND CIRCULATED A NEW TABLE 3 WHICH SHOWED HIGHER POSITIVE FOREIGN EXCHANGE BALANCES IN THE 1973-75 PERIOD THAN ORIGINAL TABLE.

5. UK REPS SUGGESTED THAT IBRD BALANCE OF PAYMENTS PROJECTION DOES NOT SUPPORT NEED FOR ASSISTANCE IN SHORT RUN. THEY TOOK ISSUE WITH IBRD DEFICIT PROJECTIONS IN LONGER-RUN 1976-80 PERIOD ON GROUNDS THAT COCOA PRODUCTION AND PRICES APPEARED TO BE UNDERSTATED. UK ALSO MADE POINT THAT IBRD FIGURES DO NOT SUPPORT DEBT RESCHEDULING TERMS MORE LENIENT THAN PROPOSED LAST NOVEMBER.

6. WRIGHT AND US STRESSED THAT IBRD PROJECTIONS DO NOT MAKE PROVISIONS FOR:

A) NEED TO REPAY SHORT-TERM DEBT IN NEXT 4-5 YEARS (CURRENT DEBT \$230 MILLION).

B) COMPENSATION REQUIREMENTS ASSOCIATED WITH PARTICIPATION.

C) NEED FOR ADEQUATE LEVELS OF FOREIGN EXCHANGE RESERVES WHICH SHOULD BE SUBSTANTIALLY HIGHER THAN THE \$125 MILLION WHICH EXISTED AS OF DECEMBER 31, 1972.

IBRD AND US ALSO STRESSED THE IMPORTANCE OF GHANA'S LIMITED OFFICIAL USE
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MOVING FROM THE CURRENT, ALMOST-ZERO GROWTH RATE TO A MORE VIABLE 4-5 PERCENT ASAP, POINTING OUT THAT IF NEW AID WERE NOT FORTHCOMING DURING THE 1973-75 PERIOD THE LAG IN IMPLEMENTING PROJECT AID WILL RESULT NOT ONLY IN NO GROWTH IN THE MIDDLE 1970'S BUT WOULD MAKE THE NEGATIVE BALANCES LARGER IN THE LATE 1970'S. THE GROUP GENERALLY ACCEPTED THESE ARGUMENTS AS VALID, AS SUBSEQUENTLY INDICATED IN THE INDIVIDUAL DONOR STATEMENTS.

7. WRIGHT THEN TURNED TO QUESTION OF DONOR PLANS FOR FUTURE AID AND MADE STATEMENT RE IBRD PLANS OVER NEXT TWO YEARS. IBRD HAS PROJECTS TOTALING ABOUT \$45 MILLION DURING 1973-74 PERIOD. SINCE IDA FUNDING MAY BE LIMITED, IBRD WELCOMES COLLABORATIVE FINANCING WITH OTHER DONORS PARTICULARLY WITH RESPECT TO LONGER-RUN PROGRAM OF AN ADDITIONAL \$100 MILLION IN PROJECTS IN THE 1975-76 PERIOD. IBRD HOPES TO MOVE TWO PROJECTS (ROAD AND WATER) TO APPROVAL STAGE OVER NEXT TWO MONTHS, BOTH OF WHICH WILL BE IN COOPERATION WITH CANADA.

A. US: DR. ADAMS STATED US INTENT TO SIGN AGREEMENT FOR \$19 MILLION ALREADY AUTHORIZED PROGRAM LOAN AS SOON AS DEBT AGREEMENT INITIALED. US HAS PLANNED A SECOND PROGRAM LOAN BUT TIMING DEPENDS ON DRAWDOWN OF \$19 MILLION AND AVAILABILITIES OF TOTAL LOAN FUNDS DURING FY 73-74. (IN ARRIVING AT THE AGGREGATE DONOR FIGURE OF \$140 MILLION IBRD ASSUMED A SECOND AID PROGRAM LOAN OF \$10 MILLION IN THE FY 73-74 PERIOD.) DR. ADAMS INDICATED PLANNED TA LEVELS OF BETWEEN \$3 AND 4 MILLION ANNUALLY IN FY 1973 AND 74 WITH CONCENTRATION OF A LARGE SHARE OF THESE RESOURCES IN AGRICULTURE WHERE IT IS HOPED A SECTOR LOAN CAN BE DEVELOPED BY FY 1975 OR 76. HE INFORMED DONORS THAT OVERALL CAPITAL TRANSFERS IN FORM OF PROGRAM-TYPE IOANS WILL BE LOWER THAN ANNUAL AVERAGE SINCE 1967 BECAUSE PL 480 NOT LIKELY TO BE AVAILABLE IN FORESEEABLE FUTURE. DR. ADAMS URGED THOSE WHO HAVE CAPACITY TO DO SO TO INCREASE THEIR AID TO GHANA WITHIN THE

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COOPERATIVE FRAMEWORK ESTABLISHED BY THE IBRD.

B. CANADA: CANADIAN REP EXPRESSED VIEW THAT GHANA IS SERIOUS ABOUT REACHING AGREEMENT ON DEBT ISSUE AND HOPES DONORS CAN AGREE TO PROCEED QUICKLY WITH RESUMPTION OF CAPITAL AID. OVER NEXT TWO YEARS, CIDA PLANS AID AT A LEVEL OF \$26 MILLION, LARGE PORTION OF WHICH WILL BE FOR COOPERATION IN IBRD PROJECTS (ROADS AND WATER). IN FUTURE, AND AS A MINIMUM, IT IS LIKELY THAT CIDA WOULD TAKE ADVANTAGE OF A NEW FACILITY WHICH PERMITS CIDA TO COMMIT UP TO 75 PERCENT OF THE PREVIOUS YEAR'S LEVEL WITHOUT FURTHER AUTHORIZATION.

C. FRANCE: FRENCH REP REFERRED TO PROGRAM APPROVED PRIOR TO FEBRUARY 1972 OF 30 MILLION FRANCS FOR CAPITAL AND TA. THIS COULD BE MADE AVAILABLE AGAIN BUT TIMING WOULD DEPEND ON WHEN DEBT SETTLEMENT REACHED AND THEN ON THE TIME FOR AUTHORIZING NEW FUNDS. (IBRD DID NOT INCLUDE THIS IN \$140 MILLION.)

D. FRG: PRIOR TO FEBRUARY 1972 FRG HAD PLANNED SIGNIFICANT CAPITAL AID WHICH WAS THEN CANCELLED. THEY HAVE CONTINUED WITH TECHNICAL ASSISTANCE PROGRAM AND IN 1973 ARE IMPLEMENTING NEW TECHNICAL AID OF \$7-8 MILLION. ON CAPITAL

SIDE THEY WOULD SIGN

AGREEMENTS FOR NEW AID OF \$17 MILLION AS SOON
AS DEBT ISSUE RESOLVED AND HOPEFULLY EVEN
BEFORE FINAL SETTLEMENT IF THERE IS CLEAR
INDICATION SETTLEMENT ASSURED. FOR FUTURE,
FRG THINKING IN ORDER OF \$25 MILLION ANNUALLY
IN CAPITAL AID. (IBRD USED ONLY THE \$17
MILLION FOR 1973 IN ARRIVING AT THE \$140
MILLION.)

E. UK: ODA AFRICAN CHIEF, DOUGLAS WILLIAMS,
ASSUMING DEBT SETTLEMENT AND SATISFACTORY
COMPENSATION ARRANGEMENTS, STATED ODA PLANS

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EXPENDITURE PATTERN OF 10 MILLION POUNDS
ANNUALLY OF CAPITAL AID AND 1 MILLION OF
TECHNICAL AID. (IBRD USED FIGURE OF \$26
MILLION IN ARRIVING AT \$140 MILLION TOTAL OF
DONOR AID.) WILLIAMS EXPRESSED UK HOPE THAT
OTHER DONORS, INCLUDING IBRD, WILL NOT
IMPLEMENT NEW CAPITAL AID PLANS BEFORE DEBT
AGREEMENT REACHED AND REQUESTED ASSURANCES ON
THIS SCORE. (SEE SEPTTEL ON CREDITOR MEETING
AT WHICH IT AGREED IBRD CAN GO FORWARD ON
ROAD PROJECT IF GHANA RESPONDS FAVORABLY TO
CREDITORS' MESSAGE ON FORMULA FOR CONTRACT
REVIEW AND TO MEET WITH CREDITORS IN NOVEMBER.)
WILLIAMS INTERESTED IN IBRD'S PROPOSAL FOR
COLLABORATIVE FINANCING, INDICATING ODA
PARTICIPATION IN IBRD'S PROJECTS FOR ROADS,
COTTON AND TELECOMMUNICATIONS WOULD BE
FAVORABLY VIEWED BY ODA. HE SAID ODA WOULD
PROBABLY CONTINUE PROGRAM LENDING IN SHORT RUN
BUT HOPES TO MOVE TO PROJECT AID ASAP.

F. AFDB: LAST YEAR AFDB STARTED COLLABORATION AND
NOW PLANNING FIVE PROJECTS ON BANK TERMS (NOT
SPECIAL FUND): RAILWAYS REHAB, TELECOM
(ACCRA - UPPER VOLTA), A WATER PROJECT WITH
IBRD, ABIDJAN - ACCRA TELECOM LINK AND A \$2.3
MILLION RICE PROJECT IN COLLABORATION WITH IBRD.
(IBRD FIGURE OF \$140 MILLION OVER SHORT-RUN
DOES NOT INCLUDE AFDB PLANNING.)

G. IMF: INDICATED GHANA ELIGIBLE FOR STANDBY
CREDIT BUT HAS NO INDICATION GHANA DESIRES ONE.

H. OTHERS: ISRAEL, SWITZERLAND AND DENMARK
INDICATED INTEREST IN GHANA DEVELOPMENT BUT
HAVE NO PLANS FOR ASSISTANCE. ITALY AND JAPAN

WILL CONTINUE TECHNICAL AID, AND THE LATTER
WOULD BE WILLING CONSIDER SPECIFIC CAPITAL
PROJECT PROPOSALS IF REQUESTED.

8. IT WAS AGREED THAT WRIGHT WOULD MAKE AN ORAL REPORT
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ON THE DONOR MEETING TO THE CREDITOR MEETING THE NEXT
MORNING (SEPTEMBER 18) AND THAT THE DONORS WOULD
RECONVENE SEPTEMBER 18 AT 3:00 PM TO DETERMINE WHAT THE
IBRD COULD REPORT TO GHANA ON THE DONOR MEETING.

9. AT THE CREDITORS MEETING WRIGHT GAVE A BRIEF
SUMMATION OF THE DONOR MEETING AND GAVE THE FIGURE OF
\$140 MILLION AS IBRD'S ESTIMATE OF NEW CAPITAL AID
COMMITMENTS OVER THE NEXT TWO YEARS, NOTING THAT ACTUAL
FLOWS WOULD LAG BEYOND THAT PERIOD WHERE PROJECT AID IS
CONCERNED.

10. AT THE RECONVENED DONOR MEETING ON SEPTEMBER 18,
WRIGHT AND CHAUFournier (WHO HAD ARRIVED FROM UPPER
VOLTA) TOOK STRONG POSITION THAT IBRD MUST CONVEY TO GOG
THE \$140 MILLION FIGURE ON IBRD'S OWN RESPONSIBILITY.
THEY UNDERTOOK TO REPORT THE FIGURE AS IBRD'S
"UNDERSTANDING" OF WHAT SEEMED TO BE THE AGGREGATE OF
DONOR PLANNING FOR THE NEXT 18-24 MONTHS ONCE THE DEBT
ISSUE IS SETTLED AND ON ASSUMPTION THERE WILL BE
PROGRESS TOWARD EARLY AND FAIR COMPENSATION IN
PARTICIPATION ARRANGEMENTS. THIS POSITION WAS
SUPPORTED BY THE US, FRG, CANADA AND OTHERS. AFTER UK
AND FRANCE HAD INDICATED RESERVATIONS ABOUT GIVING EVEN
A GLOBAL FIGURE, THERE WAS FINALLY A CONSENSUS
THAT IBRD SHOULD PROCEED AS PLANNED. THIS WAS LATER
REPORTED TO THE CREDITOR GROUP WHICH RAISED NO QUESTIONS.

11. IBRD LATER GAVE US REPS FOLLOWING APPROXIMATE
BREAKDOWN OF \$140 MILLION FIGURE (IN MILLIONS OF US
DOLLARS): UK- \$26; IBRD- \$45; FRG- \$17; CANADA- \$26;
AND US- \$29.

12. COMMENT: MEETING CONFIRMED THAT THERE IS A STRONG
DESIRE ON PART OF MAJOR DONORS TO PROVIDE SIGNIFICANT
SUPPORT TO GHANA'S GROWTH AND DEVELOPMENT. THIS,
TOGETHER WITH PROBABILITY THAT CREDITORS WILL EVENTUALLY
MOVE TO SOFTER TERMS, WOULD EFFECTIVELY MEET US
OBJECTIVES OF LINKING LIBERAL DEBT RESCHEDULING AND
INCREASED AID AS A MEANS OF ACHIEVING BASIS FOR
GHANA'S GROWTH AND DEVELOPMENT. IN AND OUTSIDE OF
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MEETINGS IT BECAME MORE AND MORE EVIDENT THAT FRG AND CANADA LIKELY TO MOVE AHEAD ON IMPLEMENTING THEIR AID BEFORE FORMAL DEBT AGREEMENT IF PROGRESS MADE TOWARD SETTLEMENT INDICATES FINAL AGREEMENT ASSURED. INDEED, CANADA WILL EFFECTIVELY DO THIS IN COLLABORATION WITH IBRD ON ROADS PROJECT IF GHANA'S RESPONSE TO CREDITOR'S COMMUNICATION ON DEBT MEETING IS FAVORABLE. SOHM

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